

G. Disclosure of Communications

1. Disclosure of Communications Regarding Investment Transactions that Require Investment Committee Approval
 - A. During the evaluation of any prospective investment transaction, no party who is financially interested in the transaction nor any officer or employee of that party, may knowingly communicate with any board member concerning any matter relating to the transaction or its evaluation, unless the financially interested party discloses the content of the communication in a writing addressed and submitted to the General Counsel and the Board prior to the Board's action on the prospective transaction. This shall not apply to communications that: (1) are part of a noticed board meeting; (2) are incidental, exclusively social, and do not involve the system or its business, or the Board or staff member's role as a system official; or (3) do not involve the system or its business and that are within the scope of the Board or staff member's private business or public office wholly unrelated to the system.
 - i. The writing shall disclose the date and location of the communication, and the substance of the matters discussed. It shall be submitted no later than five working days prior to the noticed Board meeting at which the investment transaction is being considered unless the communication occurs less than five working days before the noticed Board meeting, in which case the writing shall be submitted immediately after the communication occurs.
 - ii. Consistent with its fiduciary duties, the Board shall determine the appropriate remedy for any knowing failure of a financially interested party to comply with this policy, including, but not limited to, outright rejection of the prospective investment transaction, reduction in fee income, or any other sanction.
 - B. Any Board member who participates in a communication subject to this policy shall also have the obligation to disclose the communication to the General Counsel and the Board, prior to the Board's action on the prospective transaction. The disclosure shall be in writing and shall disclose the date and location of the communication and the substance of the matters discussed. It shall be submitted no later than five working days prior to the

noticed Board meeting at which the investment transaction is being considered unless the communication occurs less than five working days before the noticed Board meeting, in which case the writing shall be submitted immediately after the communication occurs. The communications disclosed under this section shall be made public, either at the open meeting of the board in which the transaction is considered, or if in closed session, upon public disclosure of any closed session votes concerning the investment transaction.

- i. This disclosure obligation shall not apply to communications that are general in nature and content, such as: (1) those with regard either to the nature of the party's business or interests or with regard to public information regarding CalSTRS; (2) a simple expression of the party's interest generally in doing business with CalSTRS or having CalSTRS invest in or with the party communicating with the Board member; or (3) a simple expression by the Board member in relation to the performance of an investment or service provided to CalSTRS.
- ii. An alleged failure of a Board member to disclose communications as required herein shall be referred to the Chairperson for appropriate action unless the Chairperson is a party to the communication in question, in which case the matter shall be referred to the Vice-Chair.
- iii. The General Counsel shall provide the Board with an annual summary of the communications disclosed pursuant to this section.

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2. Disclosure of Communications Regarding Investment Transactions that Do Not Require Investment Committee Approval

The disclosure obligation regarding communications covered by Subsection 600 G (1) for a party or its officer or employee who is financially interested in an investment transaction shall also apply to communications involving transactions the Chief Investment Officer has been delegated the authority to approve without the need for Investment Committee action. Upon the initiation of any consideration by the CalSTRS Investment Office or one of its consultants or advisors of the review of a proposed investment transaction, the firm seeking a CalSTRS investment shall be given a copy of this CalSTRS policy together with a form to use to report any communications with Board members for which disclosure is required. The required disclosure shall be made within 10 calendar days of the communication. There shall be no parallel obligation on the part of the Board member to disclose a communication involving a transaction that has been delegated to the Chief Investment Officer, although Board members are urged to keep an informal record of communications that would be subject to disclosure if the transaction ultimately

comes before the Investment Committee and must be reported under Subsection 500 G (1).

The General Counsel shall provide the Board with an annual summary of the communications disclosed pursuant to this paragraph.

3. Disclosure of Communications between Board Members and Staff Regarding Investment Transactions

As a general matter, the Board recognizes that the free flow of communication between individual Board members and staff or consultants is beneficial to the conduct of CalSTRS business and that requiring disclosure of all or a large part of such regular communication would create a burdensome reporting requirement that would likely serve no useful purpose. However, in those instances where conduct by an individual Board member can be reasonably interpreted as an attempt to influence the outcome of a Board or staff decision or consultant recommendation in an investment transaction, the Board recognizes that such communications could create the potential for misunderstanding, misinformation or conflicting instructions and could be reasonably interpreted as inappropriately affecting the board, staff or consultant. Such communications do not always rise to the level of "undue influence," as defined and discussed in Section 600 G (4), but nevertheless should be subject to disclosure.

Any communication regarding a potential investment transaction initiated by Board member with either a CalSTRS employee or consultant in which the Board member is advocating for a specified outcome shall be documented by the CalSTRS employee or consultant and reported to the General Counsel. Such communications will be disclosed to the Board if and when, in the judgment of the General Counsel, they may be material to the Board's deliberation with respect to any CalSTRS matter.

4. Avoidance of Undue Influence

The Board recognizes that if a Board member or a third party attempts to direct staff or a Board member to a specified action, decision or course of conduct through the use of undue influence, sound decision-making could be compromised to the ultimate detriment of the Board as a whole and/or CalSTRS members, retirees and beneficiaries.

Any staff member or Board member who believes that he or she has been subject to the attempted exercise of undue influence, as described above, should report the occurrence immediately and simultaneously to his/her Branch Deputy Chief Executive Officer/Chief Investment Officer (in the case of staff members) and to the General Counsel. The General Counsel shall investigate the situation immediately and is authorized to use the services of an outside law firm to conduct the investigation if he or she deems it appropriate. Following such investigation, if the General Counsel

concludes that an exercise of undue influence was attempted, he or she shall take whatever action deemed to be appropriate, which shall include notification to the Board and thereafter a public disclosure during an open session meeting of the Board. If the General Counsel believes that he or she personally has been subjected to an attempted exercise of undue influence, he or she shall immediately advise the Board Chair unless the circumstances dictate that another Board member should instead be notified. The Board Chair or other Board member shall investigate the situation with the assistance of the Fiduciary Counsel and take whatever action he or she deems to be appropriate.

Definitions:

"Undue Influence" is defined as the employment of any improper or wrongful pressure, scheme or threat by which one's will is overcome and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to act freely.

"Third Party" means and includes a person or entity that is seeking action, opportunity, or a specific outcome from CalSTRS regarding a CalSTRS matter. The Third Party may be seeking the action, opportunity, or outcome for his or her or its own behalf or the Third Party may be seeking it on behalf of another person or entity in the capacity of a representative, agent or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.

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*Adopted January 14, 1999
Amended November 3, 2006*

H. Disclosure of Campaign Contributions, Charitable Contributions, and Gifts; Recusal Requirement; and Ban on Specified Gifts

1. Campaign Contributions

Any party who engages in business with CalSTRS for gain shall disclose campaign contributions, as defined under the California Political Reform Act, valued in excess of \$250, made to or on behalf of any existing CalSTRS Board member, candidates for Board member, Controller, Treasurer, Superintendent of Public Instruction, CalSTRS officer or employee.

2. Charitable Contributions

No party who engages in business with CalSTRS for gain shall provide any charitable contribution to a charitable entity, valued in excess of \$250 individually or in the aggregate in any calendar year, made at the request of any Board member, or CalSTRS officer or employee.